



UNIVERSITY
of ALASKA

Many Traditions One Alaska

Board of Regents FY2018 Budget Presentation

November 10-11, 2016



Overview

- FY17 Budget Recap
- Long Term Budget Scenarios
- FY18 Budget Request



FY2017 (State)

Operating

Regents' Budget	\$377.5
FY16 Base	\$350.8
Fixed Costs and Priorities	\$26.7
Governor's Budget	\$335.0
Legislature	\$335.0
Governor's Veto	(\$10.0)
FY2017 Budget	\$325.0

Capital

Regents' Budget	\$134.8
UAF Engineering	\$34.8
Facilities DM and R&R	\$50.0
Annual R&R Sustainment	\$50.0
Governor's Budget (Def Maint)	\$10.0
Legislature (U-Med Road)	\$18.9
Governor's Veto (U-Med Road)	(\$18.9)
FY2017 Budget	\$0



FY2017 Regents Priorities

(adjustments to base budget)

Strategic Investments	\$335	\$325
Facilities	\$13.5	\$13.0
Deferred Maintenance	10.5	10.0
Engineering Building	3.0	3.0
Campus Strategic Priorities	\$3.0	\$0.0
High Priority Academic Programs	3.0	0.0
Student Success	\$2.0	\$1.0
Recruitment and Retention	1.0	0.5
Degree Completion	1.0	0.5
Research	\$2.0	\$1.0
Grow Competitive Capacity	1.0	0.5
Institute of Social and Economic Research (ISER)	0.5	0.25
Alaska Center for Energy and Power (ACEP)	0.5	0.25
K-12 Partnership	\$2.0	\$1.5
Alaska Native Science & Engineering Program (ANSEP)	1.0	0.75
K-12 Outreach: Mentoring	1.0	0.75
Workforce Development	\$1.5	\$0.0
Teacher Education (Rural, specialties)	0.75	0.0
Health Professions (Rural, specialties)	0.75	0.0
Compliance	\$1.0	\$0.5
Title IX Staff & Programs	1.0	0.5
Development	\$1.0	\$0.5
Capital Campaign/Fundraising	1.0	0.5
Total Strategic Investment	\$26.0	\$17.5



FY2017

Decrement Response/Impacts

- Positions impacted
 - Over 500 (~13%) eliminated between FY16 and FY17
 - Over 250 reduced assignments or increased workload
 - Cumulative FY15-FY17 positions eliminated: over 900
- Academic program reductions
 - Since January 2016, 50 academic programs eliminated or suspended
 - Fewer sections and larger class sizes
 - Increases in faculty instructional workloads
- Administrative function consolidation and service reductions
- Closed Galena, McGrath, & Shishmaref Learning Centers
- Reduction of faculty travel and professional development funding
- Reduced research faculty start-up/seed availability
- Telecommunications contract cost reduction
- Reduced owned & leased space; defeased & refinanced debt



FY2017

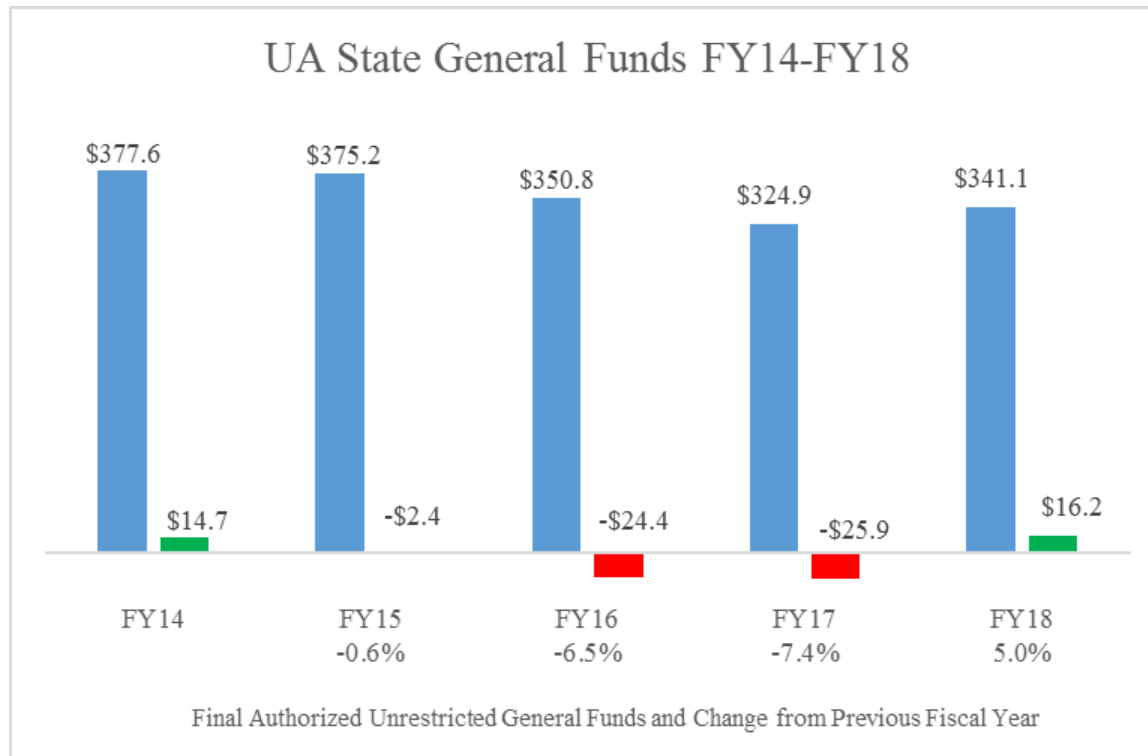
Decrement Response/Impacts

- Increased program partnerships among UAA, UAF and UAS
- Increased fee revenue in Academic Innovations and e-Learning due to increase in on-line student credit hours
- Redesigning GERs, Math Emporium
- Implemented tuition surcharges in Engineering and Business at UAF and UAA
- Increased base tuition by 5%
- Increased focus on alumni giving and individual major gifts



State Budget Reductions

The university's budget has been reduced for the past three years, decreasing baseline funding and not covering cost increases related to compensation, benefits and other fixed costs. The net result is greater than the reductions alone. There have already been over 900 positions eliminated, services reduced, efficiencies instated, travel restrictions, layoffs and program suspensions. The next round of cuts will require additional reduction of programs and personnel.





FY2018 Goals and Principles

- Cost Efficiency
- Productivity
- Strategic Investment
- Alignment with Strategic Pathways
- Student Success
- Partnership
- Benchmarking
- Sustainability
- Contingency



Long Term Budget Scenarios & Assumptions

All Scenarios assume continued downward pressure on the State budget

Scenario 1 – Investing in Alaska’s Future

- State Appropriation increases from \$325M to \$341.2M in FY18; annual 1.3% decrease thereafter to \$312.0M in FY25 (1.3x projected national mean)
- Almost 40% growth in student full-time equivalents (FTEs), FY16-FY25
- Tuition and fees per FTE increase 4% annually between FY16 and FY25 from current 84% of the WICHE mean to 1x to the projected WICHE mean

Scenario 2 – Steady Decline

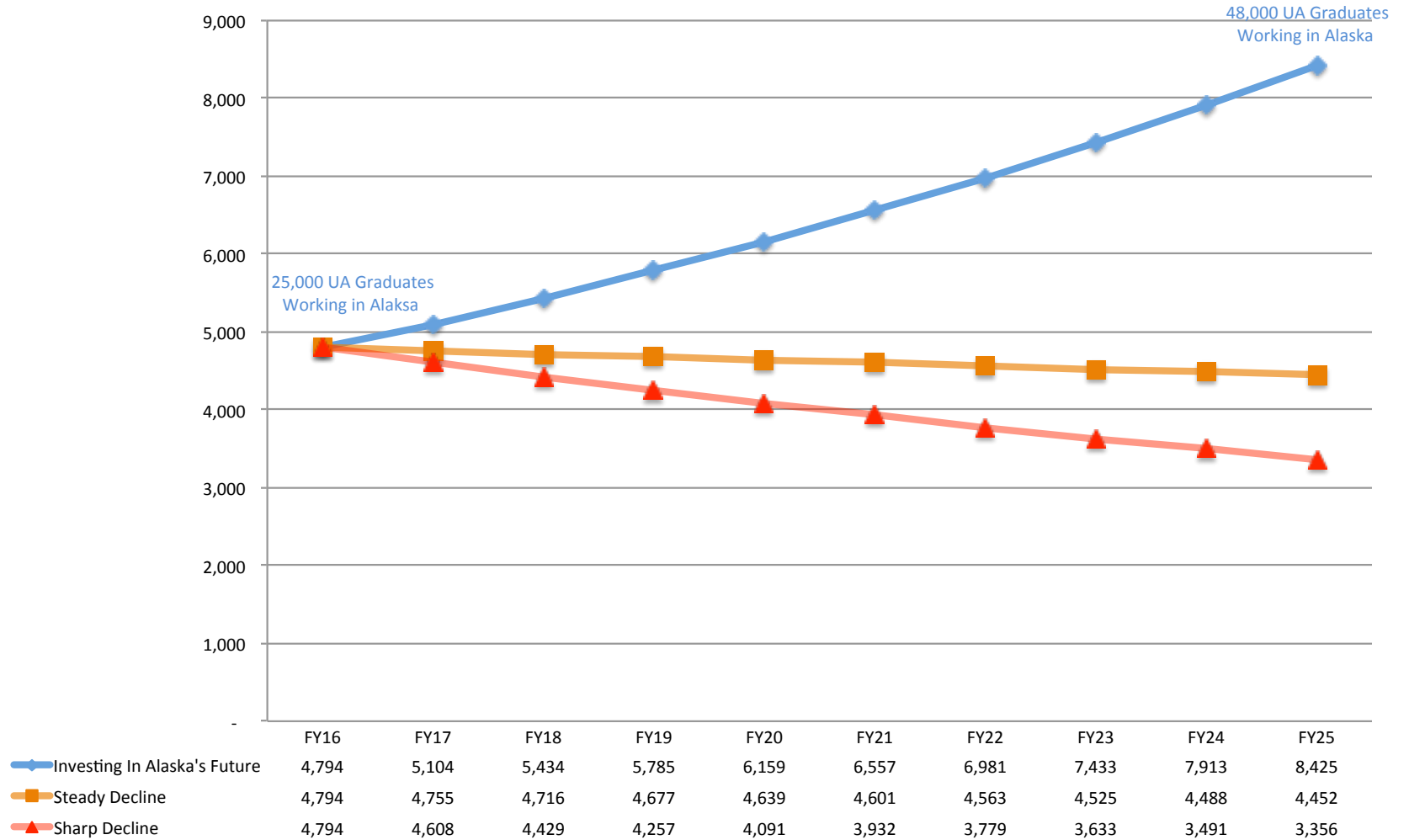
- State Appropriation stays flat at \$325.0M between FY18 and FY25, with buying power reduced by FY25 to 84% of FY18
- Nearly 10% decline in student full-time equivalents (FTEs), FY16-FY25
- Tuition and fees per FTE increase almost 63% between FY16 and FY25, to 1.3x the projected WICHE mean

Scenario 3 – Sharp Decline

- State Appropriation decreases to \$293.0M in FY18 (Governor’s guidance), and stays flat thereafter, with buying power reduced by FY25 to 84% of FY18.
- 30% decline in student full-time equivalents (FTEs), FY16-FY25
- Tuition and fees per FTE increase almost 25% between FY16 and FY25, remaining at 84% of the projected WICHE mean

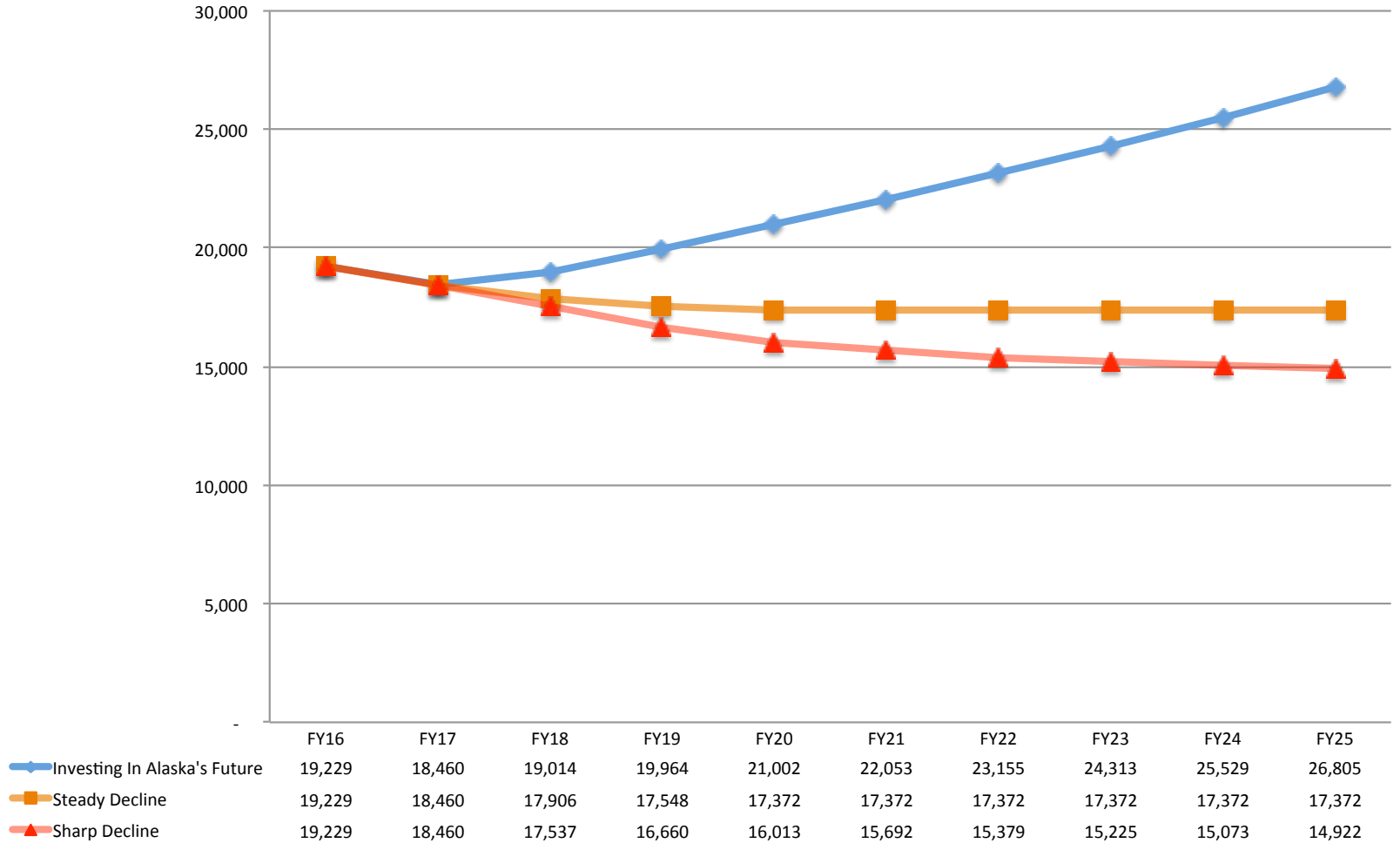


Graduates



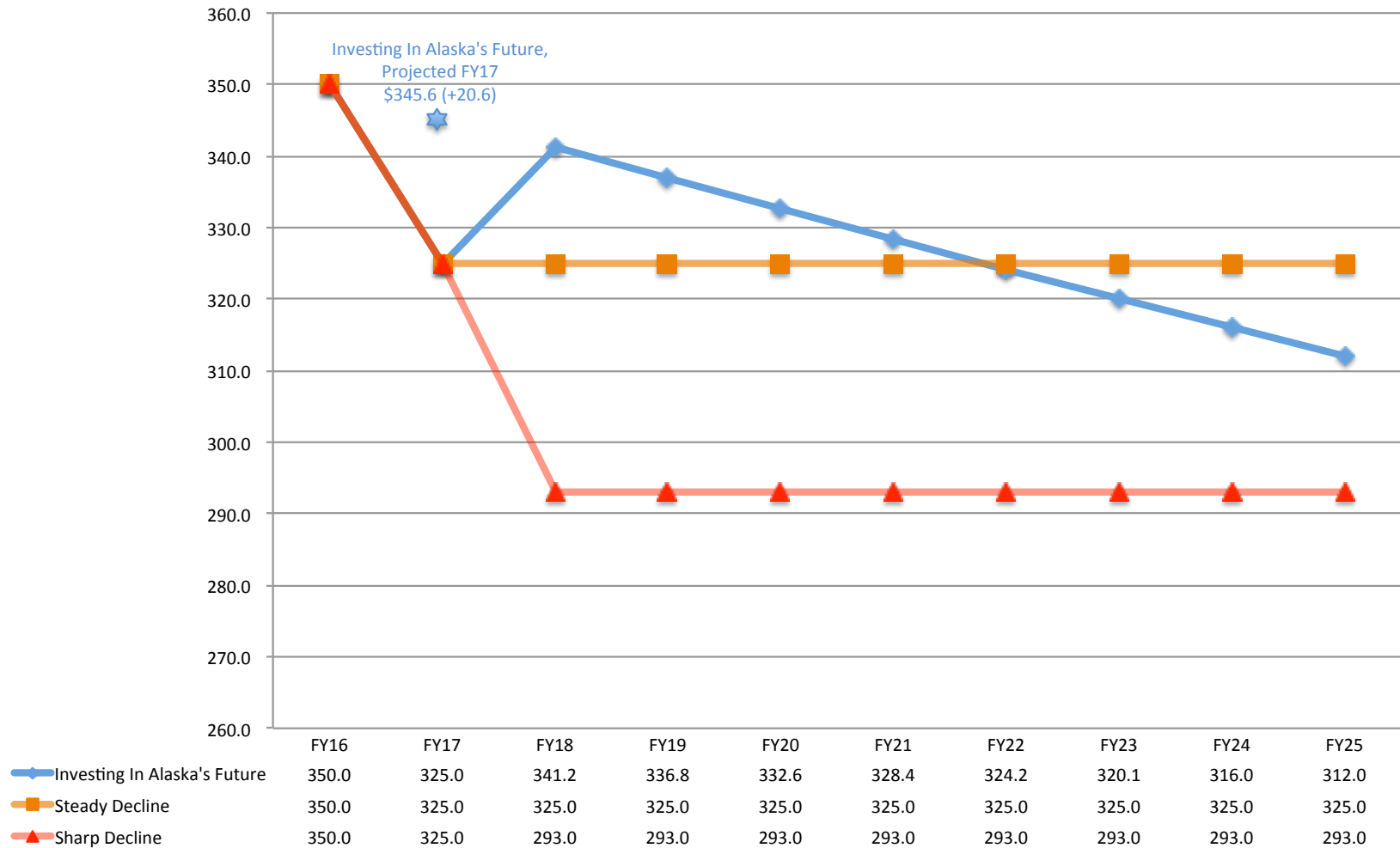
Scenario 1 supports FY25 state workforce goal of 65% of jobs requiring some postsecondary education.

Student Full-Time Equivalents (FTEs)



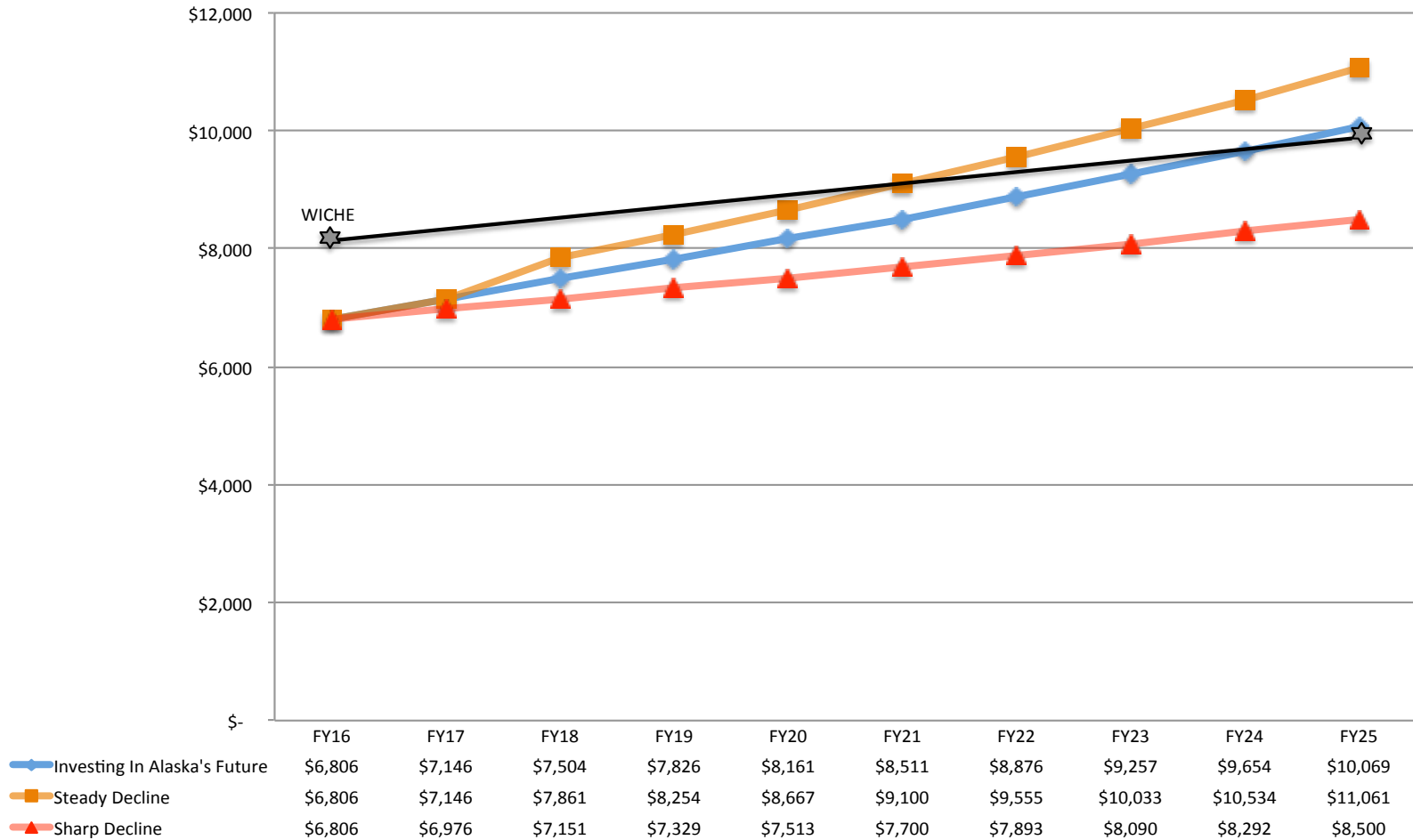
Scenario 1 provides the opportunity for more recent Alaska high school graduates and more adults with some college and no degree to attend postsecondary, earn a degree and hold higher paying jobs, supporting the State's economy.

State Appropriations (Million \$)



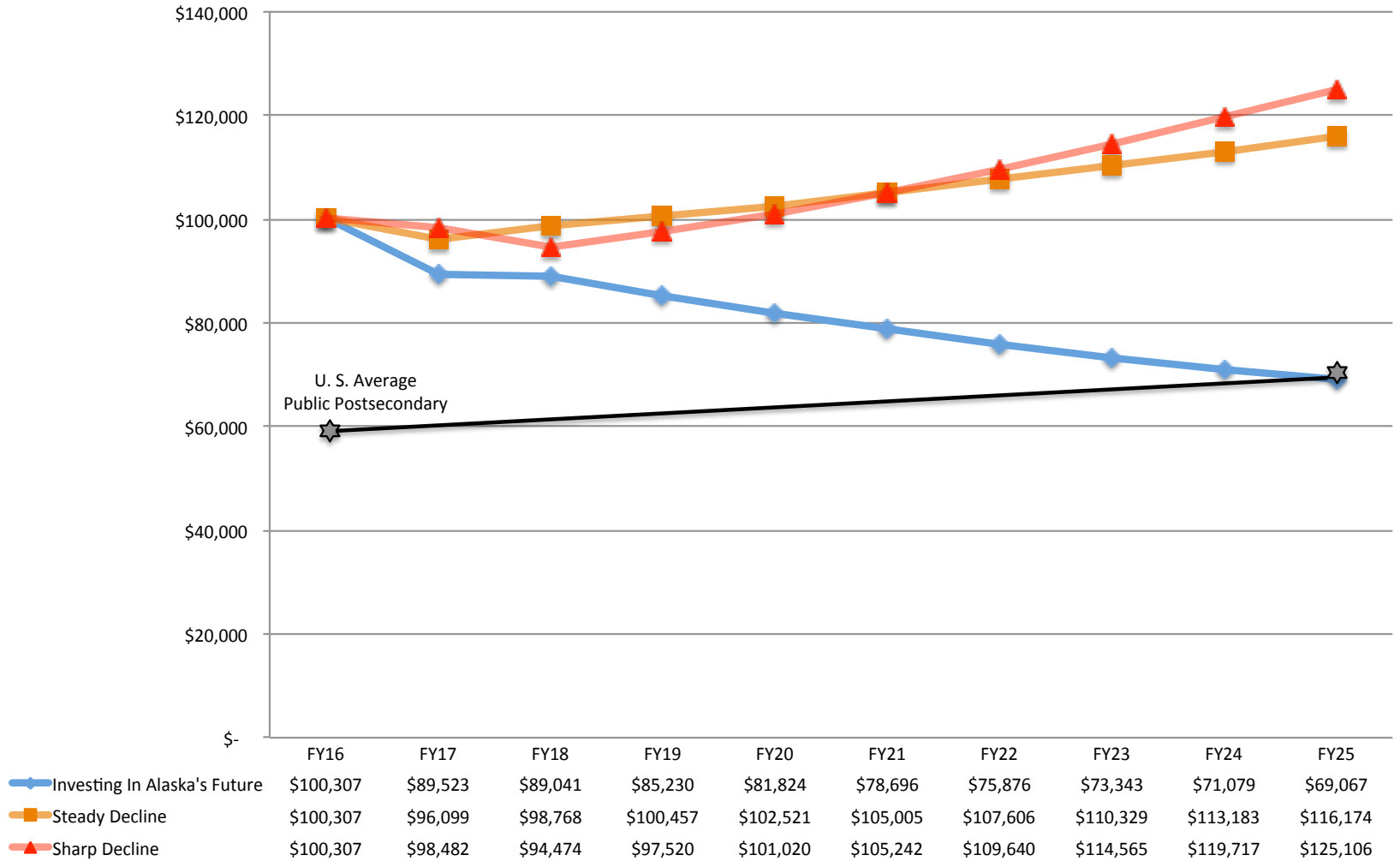
Scenario 1 allows for a “gradual glide” to a sustainable level of state appropriation in total and per student, rather than a dramatic decrease in the short term with negative impacts to Alaska long term.

Tuition and Fees per Student FTE



Scenario 1 increases student tuition and fees to the mean level paid by those attending public institutions in other western U.S. states.

Annual Education Expenditures Per Graduate



Scenario 1 provides a way to moderate UA's cost per graduate, currently high compared to other states, by lowering expenses and increasing enrollment and graduates.



Scenario Implications

Scenario 1 – Investing in Alaska’s Future

- Supports economic development by reaching FY25 state workforce goal of 65% of jobs requiring some postsecondary education
- Improves mission attainment, cost effectiveness, sustainability, quality, and affordability while reducing negative community impact
- Supports growth in federal funding, enrollment, and philanthropy, thereby reducing burden on State

Scenario 2 – Steady Decline

- Lower proportion of Alaskan workers trained by UA over time, 28% below Scenario 1
- Decline in student enrollment, 10% by FY25
- Flat to down federal funding
- Flat to down philanthropic support

Scenario 3 – Sharp Decline

- Lower proportion of Alaskan workers trained by UA over time, 37% below Scenario 1 by FY25
- Major decline in student enrollment, 30% by FY25
- Decrease in federal funding
- Decrease in philanthropic support
- Severe difficulty meeting mission, including addressing State workforce needs
- Would require immediate high impact program cuts, elimination of all non-core academic and student support activities



Scenario 1

	FY16	FY25	Percent Change	
	Actuals/ Estimates	Benchmark/ Goal	FY16- FY25	Annual
Alaska Population, all ages	744,623	802,352	8%	0.8%
Workforce - all jobs	337,908	369,931	9%	1.0%
Jobs Requiring Some Postsecondary (37% to 65% of jobs)	125,026	240,455	92%	7.5%
<i>Requiring Bachelor's or higher (14% to 25% of jobs)</i>	46,293	92,483	100%	8.0%
<i>Requiring CTE/Associate (23% to 40% of jobs)</i>	78,733	147,972	88%	7.3%
Jobs Held by UA-trained Workers	25,005	48,091	92%	7.5%
<i>% of college bound High School Graduates</i>	45.6%	62.0%	36%	3.5%
<i>of college bound, % who attend UA</i>	64.5%	80.0%	24%	2.4%
Annual UA Graduates	4,794	8,425	76%	6.5%
<i>Baccalaureate 150% Graduation Rate</i>	29.4%	55.5%	89%	7.3%
<i>Associate 150% Graduation Rate</i>	11.1%	29.2%	163%	11.3%
Current Student Full-Time Equivalents (FTE)	19,229	26,805	39%	3.8%
<i>Additional from recent high school grads</i>		1,518		
<i>Additional from 115K with some college, no degree trained by UA</i>		6,058		
Total Education Cost Per Student FTE	\$ 23,682	\$21,711	-8%	-1.0%
<i>State Appropriation Per Student FTE</i>	\$ 16,692	\$11,642	-30%	-3.9%
<i>Tuition & Fees Per Student FTE</i>	\$ 6,806	\$10,069	48%	4.4%
Revenue, Educational Cost (Million \$)	480.9	581.9	21%	2.1%
<i>Revenue, State Appropriation (Million \$)</i>	350.0	312.0	-11%	-1.3%
<i>Revenue, Tuition and Fees (Million \$)</i>	130.9	269.9	106%	8.4%
% of Total from State Appropriation	73%	54%	-26%	-3.3%
% of Total from Tuition and Fees	27%	46%	70%	6.1%
Cost per Graduate	\$100,307	\$69,069	-31%	-4.1%



Scenario 1 Detail

Supports FY25 state workforce goal of 65% of jobs requiring some postsecondary education.

Provides rationale, context, and goals for annual appropriation requests through 2025.

Conceptual framework, anchored to FY16 actuals where available.

Enrollment and graduation related values as currently displayed represent preliminary estimates. Work to refine estimates currently is underway.

Assumes UA grads will take both replacement and new job openings over time.

By FY25, move to 1.3x state support per student FTE, decreasing from about 2.0x the national mean, for a net of about 1.1x the national mean total education cost per student FTE. Tuition and fees cost increase from current 0.84x to 1.0x of WICHE mean per student FTE. Consider tuition realignment for specified CTE programs until tuition reaches public community college mean

Establishes per-student full-time equivalent formula-funding, assumes location and/or function specific funding remains under UA's purview. For example, a lower cost per student FTE may be reasonable for e-Learning programs, or a higher cost per student FTE may be reasonable for at-risk students such as low-income Pell recipients.

Impact of other revenue sources, such as philanthropy, research and indirect cost recovery, etc., as well as operational savings resulting from Strategic Pathways, are not included. Scenario assumes establishment of a more cost effective, sustainable organizational structure, a benefit of Strategic Pathways.



FY2018

Scenario 1 – Investing in Alaska’s Future

Operating

FY2018 Regents’ Budget	\$341.1
• FY2017 Base	\$324.9
• Fixed Costs	\$3.0
• UAFT Contract	\$0.6
• Utilities	\$1.3
• UAF Engineering Building Operating Costs	\$0.3
• Electronic Subscriptions	\$0.8
• Strategic Investments	\$13.2*
• Facilities Maintenance	\$2.5
• Student Success	\$4.4
• Research	\$1.5
• K-12 Partnership	\$0.5
• Workforce Development	\$3.3
• Economic Development	\$1.0

Capital

FY2018 Regents’ Budget \$50.0

- Deferred Maintenance Backlog \$50.0

*Based on FY2017 Regents Priorities (slide 4).

Request will also include 5% tuition increase to maintain a high level of quality and access to students.



FY2018 Strategic Investments

		FY17	FY18	Total FY17 and FY18
Strategic Investments	\$335	\$325		
Facilities	\$13.5	\$13.0	\$2.5	\$15.5
Facilities Maintenance	10.5	10.0	2.5	12.5
Engineering Building	3.0	3.0	0.0	3.0
Campus Strategic Priorities	\$3.0	\$0.0	\$0.0	\$0.0
High Priority Academic Programs	3.0	0.0	0.0	0.0
Student Success	\$2.0	\$1.0	\$4.4	\$5.4
Recruitment and Retention	1.0	0.5	0.5	1.0
Degree Completion	1.0	0.5	1.6	2.1
Tuition Offset			2.0	2.0
Honors College			0.3	0.3
Research	\$2.0	\$1.0	\$1.5	\$2.5
Grow Competitive Capacity	1.0	0.5	1.0	1.5
Institute of Social and Economic Research (ISER)	0.5	0.25	0.25	0.5
Alaska Center for Energy and Power (ACEP)	0.5	0.25	0.25	0.5
K-12 Partnership	\$2.0	\$1.5	\$0.5	\$2.0
Alaska Native Science & Engineering Program (ANSEP)	1.0	0.75	0.25	1.00
K-12 Outreach: Mentoring	1.0	0.75	0.25	1.00
Workforce Development	\$1.5	\$0.0	\$3.3	\$3.3
Teacher Education (Rural, specialties)	0.75	0.0	1.0	1.0
Health Professions (Rural, specialties)	0.75	0.0	1.0	1.0
Marines Trade/Fisheries			0.8	0.8
Maritime Academy			0.25	0.25
Alaska Native Arts			0.25	0.25
Development	\$1.0	\$0.5	\$0.0	\$0.5
Capital Campaign/Fundraising	1.0	0.5	0.0	0.5
Economic Development	\$0.0	\$0.0	\$1.0	\$1.0
Total Strategic Investment	\$25.0	\$17.0	\$13.2	\$30.2



FY2018

Strategic Investments

Facilities Maintenance \$2.5M

Each university dedicates a portion of its annual operating budget to facilities maintenance. Annual funding necessary to maintain UA's aging facilities, currently \$45.0M, is unable to keep up with the growing annual need of \$60.0M, thus the deferred maintenance backlog continues to grow. This funding is part of a multi-year plan to incrementally increase the annual funding dedicated to facilities maintenance (current and deferred), to slow the accumulation of deferred costs and reduce the risk of localized mission failure.

Student Success \$4.4M

This funding supplements campus efforts to increase recruitment and improve student retention and completion rates. In addition to recruitment, retention and degree completion efforts, funding will be focused on marketing, e-Learning course development, enrollment incentives, UA.edu degree completion, tuition offset, and honors colleges.

Research \$1.5M

This funding aims to leverage accelerated growth in competitive research capacity for Alaskan issues by focusing support on the following areas: President's professors and post-doctoral fellows, Institute of Social and Economic Research (ISER) and Alaska Center for Energy and Power (ACEP).



FY2018

Strategic Investments

K-12 Partnership \$500K

This funding will be used to help offset the funding reductions to the Department of Education and Early Development that impacted UA's budget by focusing on the following efforts: concurrent enrollment, teacher preparation, alignment of standards, and rural education support.

Workforce Development \$3.3M

This funding will be focused on the following efforts important to workforce development: rural specialties (teacher education and health professionals, including nursing); maritime trade/fisheries; maritime academy; and Alaska Native arts.

Economic Development \$1.0M

This funding aims to spur creation of incubators at UAA, UAF, and UAS in partnership with the private sector. These incubators will encourage and support start-ups based on UA intellectual property (IP). By enhancing UA's capacity to support IP activities, we will lead in the commercialization of technologies valuable to inventors, the university, and state citizens. The new businesses created by this initiative will employ our graduates, grant UA support for additional research, and develop Alaska's economy.



Budget Contingency Planning Process

Goals

- As in FY2017, keep BOR updated throughout planning process, prepared to present to BOR budget with impacts by June 2017
- Work with campuses to develop budget scenarios and impacts
- Advocacy and responsiveness to legislative inquiries
- Prepare for reallocation into top priorities for all scenarios

Criteria

- Cost effectiveness
- Quality
- Affordability
- Community Impact
- Sustainability

Budget Target

Scenario 2-Steady Decline, state appropriation stays flat at \$325M

Scenario 3-Sharp Decline, state appropriation decreases to \$293M



Budget Contingency Process / Timeline

	2016		2017			
	Nov	Dec	Jan	Feb-Mar	Apr-May	June
BOR	<ul style="list-style-type: none"> Approve FY18 request & contingency process 	<ul style="list-style-type: none"> Receive update on Gov's budget 	<ul style="list-style-type: none"> Review budget status and scenario planning at Regents' retreat 	<ul style="list-style-type: none"> Review budget status and scenario planning 	<ul style="list-style-type: none"> Potential special meeting on budget (TBD) 	<ul style="list-style-type: none"> Approve FY18 Budget
Admin	<ul style="list-style-type: none"> Present FY18 request and alternate scenarios Transmit BOR approved FY18 budget to OMB 	<ul style="list-style-type: none"> Update BOR on Gov's budget Work with campuses on scenario planning 	<ul style="list-style-type: none"> Present budget status and summary planning Work with campuses on scenario planning 	<ul style="list-style-type: none"> Present budget status and summary planning Work with campuses on scenario planning 	<ul style="list-style-type: none"> Present budget status and summary planning Work with campuses on scenario planning 	<ul style="list-style-type: none"> Present FY18 budget